

ASX ANNOUNCEMENT

10 June 2009

Company Announcements Platform  
Australian Securities Exchange Limited  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

**TARGET ENERGY LIMITED – SUPPLEMENTARY TARGET’S STATEMENT**

We refer to the Supplementary Bidder’s Statement dated 5 June 2009 in respect of the revised offer by Blaze Asset Pty Ltd (**Blaze Asset**) to acquire all of the issued share capital of Target Energy Limited (**Target Energy**).

In accordance with Section 647(3)(b) of the Corporations Act, we enclose a copy of the Supplementary Target’s Statement prepared by Target Energy in response to the Supplementary Bidder’s Statement.

A copy of the Supplementary Target’s Statement has today been served on Blaze Asset and lodged with the Australian Securities and Investments Commission.

Yours faithfully



Laurence Roe  
Managing Director  
**TARGET ENERGY LIMITED**

# SUPPLEMENTARY TARGET'S STATEMENT

by

## TARGET ENERGY LIMITED

ABN 73 119 160 360

in relation to the Revised Offer by

## BLAZE ASSET PTY LTD

ACN 134 038 412

to acquire your Shares in Target Energy Limited

The Directors of Target Energy Limited recommend that you **REJECT** the Revised Offer from Blaze Asset Pty Ltd.

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### IMPORTANT INFORMATION

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This Supplementary Target's Statement is dated 10 June 2009 (which supplements the Target's Statement dated 14 May 2009) and is given under section 644 of the Corporations Act by Target Energy Limited (**Target Energy**) in response to the Supplementary Bidder's Statement dated 5 June 2009 and served on Target Energy by Blaze Asset Pty Limited (**Blaze Asset**) on that date.

This document contains important information and requires your immediate attention. It should be read in its entirety. If you are in doubt about how to deal with this document, you should consult your legal, financial or other professional advisor immediately. A copy of this Supplementary Target's Statement has been lodged with the ASIC and ASX. None of the ASIC, ASX or any of their officers take any responsibility for the content of this Target's Statement.

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### INVESTMENT DECISION

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The recommendations of the Target Energy directors contained in this Supplementary Target's Statement do not take into account the individual investment objectives, financial situation or particular needs of each Target Energy Shareholder. You may wish to seek independent professional advice before making a decision as to whether or not to accept the Offer.

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### DEFINED TERMS

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Various defined terms are used in this Supplementary Target's Statement. Their meaning is set out in Section 8 of the original Target's Statement issued by Target Energy on 14 May 2009. This Supplementary Target's Statement should be read together with the Target's Statement dated 14 May 2009.

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## RESPONSE TO SUPPLEMENTARY BIDDER'S STATEMENT

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Dear Shareholder,

On 14 May 2009, Target Energy issued a detailed Target's Statement in response to the Bidder's Statement prepared by Blaze Asset. The board of directors of Target Energy unanimously recommended that Target Energy Shareholders **REJECT** Blaze Asset's Offer for 10 Key Reasons, including that it was **not fair and not reasonable** on the basis of the Independent Expert's Report by Grant Thornton.

I urge you to read those Key Reasons before making any decision.

On 5 June 2009, Blaze Asset lodged a Supplementary Bidder's Statement which increased the consideration offered by Blaze Asset for Target Energy Shares, from 1 cent and 0.75 of a share in Advance Energy Limited (**Advance Energy**), to 1 cent and 1.0 Advance Energy Share, and extended the Offer Period to 19 June 2009 (**Revised Offer**), with no other material conditions being changed.

**Despite the Revised Offer, your Board continues to unanimously recommend that you REJECT the Revised Offer by doing nothing and allowing the Revised Offer to lapse on 19 June 2009.**

The Directors of Target Energy have considered the Revised Offer and believe that the Revised Offer does not represent an attractive proposition for Target Energy Shareholders on the basis that:

- (a) Grant Thornton, the Independent Expert, has determined in its report dated 12 May 2009 that the fair value of a Target Energy Share is in the range of **10 cents and 13.8 cents per share, with a midpoint value of 11.9 cents per share.**
- (b) Based on Target Energy's calculation of a 30 day VWAP for Advance Energy Shares up to 5 June 2009<sup>1</sup> of 6.9 cents, with the additional 1 cent cash, this equates to a total of 7.9 cents per Target Energy Share which represents **a 33.6% discount to the Independent Expert's midpoint valuation of Target Energy Shares<sup>2</sup>.**
- (c) 87% of the total consideration to be paid under the Revised Offer is comprised of shares in Advance Energy, a company in which Target Energy has identified **a number of serious concerns, including its high level of debt, its ability to continue as a going concern, the time its management has available to devote to Advance Energy and the fact that Advance Energy has announced that all of its work programs are currently delayed or "tabled".**
- (d) **Your directors are concerned about the relative value of Advance Energy Shares being offered to Target Energy Shareholders and the sustainability of Advance Energy's share price.** If the Revised Offer is successful, Target Energy shareholders will receive approximately 104 million Advance Energy shares. This amount of Advance Energy shares is the **equivalent of 11.2 years historical trading volume** in Advance Energy shares.<sup>3</sup> In the event that Target Energy Shareholders who accept the Revised Offer wish to sell their holdings in Advance Energy, the stock overhang so

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<sup>1</sup> 5 June 2009, being the date of lodgment of the Supplementary Bidder's Statement.

<sup>2</sup> The value of Blaze Asset's Revised Offer will vary with Advance Energy's share price and consequently the implied value on any given day will not necessarily be the value at which you could ultimately sell any Advance Energy Shares received pursuant to the Revised Offer.

<sup>3</sup> Based on the 12 months preceding the date of the Offer, in which approximately 9.268 million Advance Energy shares were traded.

created could cause significant selling pressure on Advance Energy's shares. This may have an adverse impact on the price of Advance Energy shares and consequently the realisable value of the Revised Offer to Target Energy Shareholders.

- (e) The Revised Offer **still creates significant uncertainty for Target Energy Shareholders** as there is no certainty the assets of Target Energy will not be allocated disproportionately between Advance Energy and Odin Energy Limited (**Odin Energy**).
- (f) Compared to the original Offer, the Revised Offer is **even more structured in favour of Odin Energy and its shareholders (including the directors of Advance Energy who are significant shareholders of Odin Energy)**. If you accept the Revised Offer and become a shareholder in Advance Energy, you will not receive any of the benefits of Odin Energy owning a 50% interest in Target Energy's assets held by Blaze Asset for which it has only paid 13% of the total consideration paid under the Revised Offer.
- (g) Despite the increase in the Revised Offer, if you accept, **you will significantly dilute your upside exposure to the near term growth opportunities of Target Energy**. I refer you to our recent Exploration Update released by Target Energy on 10 June 2009 which summarises these opportunities. If the Revised Offer is accepted, at best, Target Energy Shareholders will only retain a 23.4% interest in Target Energy's assets.
- (h) There are a number of specific risks in accepting and holding Advance Energy Shares. These risks are set out in detail in Section 11.6 of Blaze Asset's Bidder's Statement.

**Blaze Asset's Offer has now been open for more than 7 weeks and the level of acceptances of the Offer has been poor. Shareholders have overwhelmingly supported the recommendations of the Target Energy Board, with almost 95% of Target Energy Shareholdings rejecting the Offer.**

The Target Energy Board continues to be committed to deriving maximum value for shareholders through a clear value creation strategy of exploration and development of oil and gas opportunities in the US.

**The board of directors of Target Energy unanimously recommends that all Target Energy Shareholders REJECT the Revised Offer.**

Dated: 10 June 2009



**MR LAURENCE ROE  
MANAGING DIRECTOR  
FOR AND ON BEHALF OF  
TARGET ENERGY LIMITED**